



Foreign Agricultural Service

**GAIN Report**

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## New Zealand

### Agricultural Situation

### Agribusiness Report - July

**2001**

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**Report Highlights: Agribusiness still the backbone:** Agriculture, horticulture and forestry are still the backbone of the New Zealand economy. For the year to March 2001, the value of total pastoral exports was estimated to have risen by 28 percent to N.Z. \$12.1 billion (US \$5.1 billion). **Norgate to lead dairy giant:** Craig Norgate, chief executive of Kiwi Dairy Co-op, has been appointed to head the proposed Global Dairy Co, New Zealand's biggest commercial enterprise. **Sheep and beef profits high:** Meat and wool exports for the season just ended on 30 June, lifted 20 percent to N.Z. \$5.7 billion (US \$2.4 billion). **Trouble in the apple industry:** ENZA has dropped a N.Z. \$54 million (US \$22 million) bombshell on pipfruit growers, virtually on the eve of the industry's deregulation.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Wellington [NZ1], NZ

**GENERAL*****Agribusiness still the backbone***

Agriculture, horticulture and forestry are still the backbone of the New Zealand economy. For the year to March 2001, the value of total pastoral exports was estimated to have risen by 28 percent to N.Z. \$12.1 billion (US \$5.1 billion). Over the same period, forestry exports were estimated to rise 21 percent to N.Z. \$3.4 billion (US \$1.4 billion). According to MAF, for the year ended March 2001, the contribution of agriculture to gross domestic product would increase to about 6.1 percent, due to higher production volumes, particularly in dairy, and higher farm gate prices. When associated manufacturing and processing industries reliant on agricultural production were included in those figures, the total contribution to GDP was 15 percent. The agricultural, horticultural and forestry sectors covered 57 percent of New Zealand's land area, produced more than 60 percent of its export earnings, and employed about 240,000 people.

***Farm profits rising***

Sheep and beef farming profitability in 2000/01 reached the highest level inflation adjusted terms since 1979-80. Average farm income in this sector rose 21% on the previous year to N.Z. \$264,100 (US \$110,922) with expenses averaging N.Z. \$174,300 (US \$73,206) and a surplus of N.Z. \$89,800 (US \$37,716). The average dairy farmer received about N.Z. \$345,000 (US \$144,900) in income. Record average weights for lambs (16.5kg), mutton (23.6kg) and beef (268kg) have been achieved. Export receipts were N.Z. \$2.35 billion (US \$987 million) for lamb (up 22%) and N.Z. \$2.07 billion (US \$869 million) for beef, up 19%.

***Remarkable export boom***

New Zealand's total exports boomed to N.Z. \$3.2 billion (US \$1.3 billion) in May. Exports were almost up 26 percent on the same month last year and even then exports had been growing well for months. The improvement has given a N.Z. \$652 million (US \$274 million) trade surplus for the month, more than double what forecasters predicted. While there was no detailed breakdown of the May export figures, they are presumed to reflect continued high prices and increased milk production boosting dairy exports, as well as increased exports of meat and fish and some improvement in forestry sales.

**DAIRY*****Norgate to lead dairy giant***

Craig Norgate, chief executive of Kiwi Dairy Co-op, has been appointed to head the proposed Global Dairy Co, New Zealand's biggest commercial enterprise. He has been a senior executive of Kiwi since 1991 and a Dairy Board director since 1998. He won the Globalco top job ahead of two senior Dairy Board executives.

***Kiwi partnership in Israel***

Kiwi Co-op dairies will work with the New Zealand Dairy Board in the marketing of whey protein concentrate and lactose from an Israeli plant established in partnership between Food Solutions Group, Israeli dairy co-operative Tnuva, and Canadian investment company Penhold. The new company will export about 70 percent of the 1500 tons of WPC and 800 tons of lactose the plant plans to produce from its new plant each year.

***Record dairy exports in May***

The New Zealand dairy industry ended a record milk production season with record exports shipped in May -167,000 tons of products - 10,000 tons up on the previous record set in October 1999. A Dairy Board spokesman said strong demand particularly for ingredients, from Asia and North and South America - up by N.Z. \$2 billion (US \$840 million) - and the growth of the Board's consumer products business - N.Z. \$500 million (US \$210 million) were responsible. The May shipments brought the season's export total to just under 1.5 million tons. Total Board revenue in 2000/01 was up nearly N.Z. \$2.3 billion (US \$966 million) on the 1999-2000 season at almost N.Z. \$10 million (US \$4.2 billion).

## **LIVESTOCK**

### ***Sheep and beef export earnings to remain high***

Meat and wool exports for the season just ended on 30 June lifted 20 percent to N.Z. \$5.7 billion (US \$2.4 billion). The excellent result reflected good production levels, good offshore prices, and a favorable exchange rate. In the coming year, meat and wool export earnings are expected to remain high at N.Z. \$5.5 billion (US \$2.3 billion). The slight reduction was due to expected lower production of sheep meat and wool, coupled with slightly lower product prices, largely due to an expected appreciation in the exchange rate.

### ***Beef exports to Canada up***

Exports of New Zealand beef to Canada to the end of June 2001, were up 182% on 2000 and 41% up on 1999, at 35,000 tonnes. Of this amount 12,700 tons were in the form of supplementary permits (which are outside the quota for New Zealand's beef). This means that 75% of New Zealand's country specific tariff-rate quota has been used, the same level as at the same time of 1999. This dramatic increase demonstrates the sensitivity of New Zealand beef sales to low priced competition which surged in 2000 when beef from Argentina, as well as Uruguay, had been briefly free of Foot and Mouth Disease (FMD).

### ***Beef production forecast up 10%***

New Zealand beef production is expected to lift 10 percent in 2001/2002 to reach a new record level following herd rebuilding in the beef industry, and increased retention of dairy calves in 1999 and 2000. With beef prices expected to remain the high, export beef receipts are likely to hit a record N.Z. \$2.24 billion (US \$941 million). The positive outlook for beef is expected to result in high retention of dairy calves this spring (September), which would lift beef production even higher in future years and could put pressure on traditional beef markets.

### ***Lamb numbers expected to be down***

The outlook for the lamb crop this spring (September) is mixed, with fewer lambs in those regions affected by last season's drought, but excellent performance in other regions. Overall lamb numbers are expected to be down by 3.5 percent to 34.4 million, with most of the decrease in the South Island. On this basis, lambs available for export slaughter in 2001/02 will be down 7 percent to 23.6 million.

## **HORTICULTURE**

### ***Trouble in the apple industry***

ENZA has dropped a N.Z. \$54 million (US \$22 million) bombshell on pipfruit growers, virtually on the eve of the industry's deregulation. The corporate controlled former grower controlled co-

operative has told suppliers that N.Z. \$4.50 (US \$1.89) per carton of fruit will be deducted from this years grower returns to pay for losses on foreign exchange dealings and on an abandoned Omniport loading system which it inherited from the former Apple and Pear Marketing Board. ENZA said the alternative to the N.Z. \$4.50 levy on this seasons returns is for the whole industry to accept a levy of N.Z. \$0.82 (US \$0.34) cents per carton on all export fruit over the next five years. ENZA and the 1,500 growers are now discussing the possibility of ENZA levying growers for the 2001 foreign exchange losses (NZ \$35 million) but not for losses projected for next year (NZ \$19 million).

### ***Zespri confident of gold advantage***

Zespri International is confident that it has a 5-6 year lead time on any serious competition emerging for its new Gold variety. It is in to its second season of full commercial marketing of Zespri Gold, after its successful international launch last year. Gold kiwifruit grown under license in the Northern hemisphere will be harvested later this year. Selected growers in the US, Italy and Japan have planted 400 ha of Zespri Gold so far, to ensure a supply of fruit in export markets during New Zealand's off season.

### ***New Zealand's 2001 wine vintage shrinks***

New Zealand's total wine vintage dropped in 2001, but production of the major variety, Sauvignon Blanc, hit a record high. The grape harvest estimated at 71,000 tons in 2001, down 9,100 tons or 11 percent on 2000. The reduced harvest primarily reflected cool weather during flowering in some areas, leading to an uneven fruit set. However, Sauvignon blanc grapes, which make up more than 50 percent of wine exports, were unaffected and production was up more than 35 percent at a record 20,826 tons. Reduced production of Chardonnay, down 28 percent to 17,067 tons, would provide some constraint on sales, but this was likely to be balanced by stocks held from a record harvest the previous year.

## **FORESTRY**

### ***Timber industry gears up for 'wall of wood' level growth***

New Zealand's timber availability is expected to double in eight to ten years and then double again inside 25 years. Forestry in New Zealand now provides 4% of GDP, with exports in 2000 totaling 18 million cubic meters, worth N.Z. \$3.57 billion (US \$1.5 billion). Official projections say forest production will expand rapidly to 28 million cubic meters in 2003, a 58% increase. That level would only be part way towards peak production which MAF says will exceed 50 million cubic meters within 25 years. At present exports consist of two thirds processed wood products (including sawn timber, wood pulp, paper and panel products) and one third logs, but a fall off in new processing industry investment means the proportion of exports as logs will inevitably increase.

### ***Profits under pressure***

The New Zealand forestry industry is facing up to a crisis, with major companies reducing harvesting levels because markets have evaporated. The latest slump is expected to impact significantly on New Zealand's export earnings, with forestry sales accounting for nearly 13 percent of total overseas revenues. The industry's main problem is the collapse of the market for unpruned logs, which make up about 60 percent of forest related earnings.